



RICK SCOTT
GOVERNOR

January 6, 2017

The Honorable Kevin McCarthy
House Majority Leader
Congress of the United States
Washington, D.C. 2015

Dear Leader McCarthy:

Thank you for your December 2nd letter asking for Florida's input on health insurance and the Medicaid program within our state. For far too long, it has been fashionable in Washington to say Obamacare can only be tweaked. We have seen debate after debate in Washington about this bad law but nothing has changed. It has to be completely overhauled and now is our time to do it. We cannot let the usual political games or partisan gridlock of Washington get in the way of immediately repealing and replacing Obamacare with a plan that actually works for all Americans.

The impact of Obamacare has been devastating in Florida and our nation. Obamacare was sold on a lie from the very start. Costs are skyrocketing, people have not been able to keep their doctors and many people have fewer doctors to choose from. The increases in health care costs are now at a 32-year high and are expected to continue increasing in the coming months. Recent news of Obamacare rates rising 25 percent is absurd and families simply cannot afford it. We can do better and the families and businesses footing the bill deserve better.

I have recently met with President-elect Trump, Vice President-elect Pence and incoming HHS Secretary Dr. Tom Price on repealing and replacing Obamacare so we can reinvent great health care for America's future. I know the new administration is committed to getting rid of this bad law and it was great to hear this week that their first order of business will be to repeal and replace Obamacare. I hope it happens on January 20th. I have also told the new administration that state flexibility when it comes to our Medicaid program is very important because a one-size-fits all approach from Washington is not what's best for Florida families. Specifically, our state needs the greatest possible amount of flexibility from Washington to identify the best ways to provide health care to Floridians without creating a massive government program that makes promises to patients we could never afford to keep.

There are several key repeal and replace components to Obamacare that are necessary to give individuals the flexibility to get the insurance coverage they need at a price they can afford. The below are four steps that can increase access, lower costs and provide greater choices for patients:

1. **Repeal the individual and employer mandates:** Instead of unnecessary mandates, add a coverage option to the current structure where people in the marketplace can select a silver plan under the current Obamacare arrangement OR people can select a silver plan where some of the funds are deposited into a health savings account instead of being given to an insurance company. The money in the health savings account will accumulate tax-free and can be used on health care and health insurance expenditures tax-free, and will operate exactly like a health savings account. **By removing the individual and employer mandates, people can choose the type of insurance they want and the following can be achieved:**
 - Encourage healthy people to get coverage because there will be an immediate financial benefit to signing up for insurance making mandates unnecessary. At the same time, those with pre-existing conditions who may need or prefer Obamacare policies would be able to select this option. This would end Obamacare's financial viability death spiral.
 - Give a potential tax cut to all persons above the poverty line by depositing the money into their accounts. This rewards work, and eliminates the incentives in Obamacare that reduce labor participation. Individuals are better equipped to choose the plan they need and spend dollars wisely.
 - Reward healthy behaviors. This will incentivize health, as recipients can potentially accumulate sums over time in their accounts that could be used for retirement or other purposes. When people have an incentive to make healthy decisions and focus on prevention, health care costs will be driven down and people will lead healthier lives.

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- Encourage a functional patient-centered health care market which will give people a more direct interest in the cost of their health care. As individuals make purchasing decisions, the health care industry will have to respond with more transparency, and more options. Responding to consumer needs rather than the needs of government will bend the cost curve and turn health care into a more functional market – one where health care stakeholders compete for patients based upon access, quality, cost, and customer service.
- 2. **Allow insurance companies to sell across state lines.** This will reduce costly state-to-state administrative expenses created by the current system, and allow for more competition in the marketplace. We have to open up the market and create more competition. Families should be able to purchase coverage that works best for them. Competition lowers cost, improves quality and service. And, it will encourage more individuals to participate and create a safety net for those who truly need it.
- 3. **Allow greater flexibility in the design of benefit packages.** Allow health insurers to offer a greater variety of benefit packages so people can choose the benefit package that best meets their needs.
- 4. **Families should be able to choose one insurance plan that works for the entire family,** and not forced to put their children into different plans than parents. Children should be able to receive high quality health care in the same health plan as their parents.

The following actions to reform Medicaid could be immediately taken to improve access, control costs, and reduce the size of government:

- Give Florida flexibility to run our own Medicaid program that uses the states successful managed care model. This would be based upon Florida's current managed care rate cells, meaning there would be a different per capita federal payment to the state, for example, for TANF recipients and for SSI recipients, as well as for certain high-need populations that have their own rate cells (e.g. HIV/ AIDS patients). The rates would then be reviewed each year. In exchange for greater flexibility, Florida would report on an agreed upon set of nationally recognized quality metrics and commit to pursuing continuous improvement in

its quality scores. Florida should also have the freedom to enact sensible reforms to its Medicaid program, such as imposing reasonable co-payments on adults who use the emergency room in non-emergency situations. This will place the emphasis in the program upon access to health care and not administrative processes.

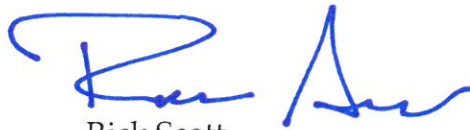
- Repeal burdensome regulations passed in the final year(s) of the Obama administration, including the Managed Care Rule, the Access Rule, and the Outpatient Drug Rule. All three rules focus on process over access to health care, and force states to submit to intensive but often purposeless federal micromanagement. This micromanagement usurps states' ability to improve access and control their own budgets.
- To avoid the promulgation of future rules that undermine the ability for states to increase access to health care, the federal government should permit states advanced review and meaningful input into all future proposed federal Medicaid guidance and regulation. Currently, states have no true opportunity to provide meaningful or impactful input in rules and guidance that governs the program. As a result, federal bureaucrats make decisions that impact the ability for states to increase access to health care and state budgets and operations, sometimes costing hundreds of millions of dollars per year without increasing access to care. As the entities most impacted by these decisions, states should have a special seat at the table in the policy-formation process.
- Create a predictable path to permanence for Florida's 1115 waiver. When states receive 1115 waivers, they must still re-negotiate them constantly even if they have been in operation for decades and broadly accepted as successful. This has wasted administrative resources on constant negotiation and re-negotiation under the Obama Administration, and has invited federal micromanagement and political interference at the expense of Florida taxpayers.
- Utilize the 90-10 match for the most vulnerable populations. This will incentivize states to expand home and community-based care for their most vulnerable populations in the state.

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- Realign the methodology for calculating Medicare Part B premium cost of living adjustments. The current methodology puts a disproportionate burden on state Medicaid programs, including Florida's, where it has resulted in an estimate of an \$82 million impact in SFY 2016-2017 and 2017-2018.

Your letter noted that we need more state choices and fewer federal mandates and I couldn't agree more. For too long, our nation has been burdened by the excessive overreach of Obamacare and I firmly believe we have to completely repeal and replace Obamacare with a plan that works for all Americans. Additionally, allowing the State of Florida greater flexibility within our Medicaid program is important to improving access, controlling costs and reducing the burden on taxpayers. The time for major change in health care is now - not in 6 months or two years. I look forward to continuing to work with President-elect Trump, members of Congress and incoming HHS Secretary Dr. Price to implement meaningful reform for all American families and businesses.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Scott", with a stylized flourish at the end.

Rick Scott
Governor

cc: Congressional Members